
OLR Bill Analysis

sSB 150

AN ACT PROVIDING PROTECTIONS FOR CONSUMERS APPLYING FOR REVERSE MORTGAGES.

SUMMARY

This bill expands the counseling and certification requirements for reverse annuity mortgages, a type of mortgage that allows homeowners to convert accumulated home equity into liquid assets.

The bill establishes counseling requirements that must be met before any entity, including a state or federally chartered bank or credit union, may (1) accept a final and complete reverse annuity mortgage loan application or (2) assess any fees for such a mortgage.

It also requires reverse mortgage lenders to receive and store a signed certification from the borrower or his or her authorized representative stating that the counseling requirements were met.

The bill (1) prohibits a reverse mortgage lender, originator, or loan servicer from compensating counseling agencies and (2) specifies that any violation of the counseling and certification provisions is a violation of the state's unfair trade practices law (see BACKGROUND).

EFFECTIVE DATE: October 1, 2018

COUNSELING AND CERTIFICATION REQUIREMENTS

The bill requires reverse mortgage lenders to:

1. inform prospective applicants of the counseling requirements and provide them with a list of independent housing counseling agencies and intermediaries approved by the U.S. Department of Housing and Urban Development (HUD) to provide counseling in accordance with federal law (see BACKGROUND);
2. receive a signed certification from the prospective applicant or

his or her authorized representative that the applicant or representative received counseling in-person or by telephone from a HUD-approved agency; and

3. keep the signed certification in an accurate, reproducible, and accessible format for the term of the loan.

Under the bill, the counseling certification must include the counseling date and the name, address, telephone number, and signature of both the prospective applicant or representative and counselor.

BACKGROUND

Connecticut Unfair Trade Practices Act (CUTPA)

CUTPA prohibits businesses from engaging in unfair and deceptive acts or practices. It allows the consumer protection commissioner to issue regulations defining what constitutes an unfair trade practice; investigate complaints; issue cease and desist orders; order restitution in cases involving less than \$10,000; enter into consent agreements, ask the attorney general to seek injunctive relief; and accept voluntary statements of compliance. It also allows individuals to sue. Courts may issue restraining orders; award actual and punitive damages, costs, and reasonable attorney's fees; and impose civil penalties of up to \$5,000 for willful violations and \$25,000 for violation of a restraining order (CGS §§ 42-110a et seq.).

Related Federal Laws

Federal regulation requires HUD to establish and maintain a list of reverse mortgage counselors. The counselors must meet specified qualification standards and follow uniform counseling protocols (24 C.F.R. § 206.300, et seq.). Under federal law, qualified reverse mortgage counselors must discuss certain information with prospective mortgagors, including:

1. other options available to the homeowner;
2. the financial implications of entering into a reverse mortgage;

3. disclosure that a reverse mortgage may have tax consequences, affect eligibility for assistance under federal and state programs, and have an impact on the homeowner's estate and heirs; and
4. the requirement that a non-borrowing spouse obtain ownership of the property or other legal right to remain in the house after the death of the last surviving mortgagor (12 U.S.C. § 1715z-20(f) and HUD Mortgagee Letter 2014-07).

Related Bill

SB 395, favorably reported by the Banking Committee, requires similar counseling and certification requirements.

COMMITTEE ACTION

Aging Committee

Joint Favorable Substitute

Yea 12 Nay 0 (03/15/2018)